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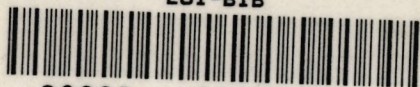
## **Union Strategies In Historical Perspective: Sweden and Germany**

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**DEPARTMENT OF HISTORY AND CIVILIZATION**

**EUI Working Paper HEC No. 90/5**

**Union Strategies in Historical Perspective:  
Sweden and Germany**

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**(University of Gothenburg)**

**'Strategies of European Trade Unions:  
Determinants and Impacts of Trade Union Strategies  
since the late 19th Century'  
Research Project directed by Professor Werner Abelshauser  
Project Paper no. 3/90**

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### Theoretical and methodological considerations

Strategy is a key concept of this new project on union strategies at the European University. I understand the concept of strategy in the same broad sense as Werner Abelshauser uses it in his outline of the project, i. e. the concept includes both deliberate, intended, 'rationally' calculated and emergent strategies.

Strategy is closely related to the concept of intention. My assumption is that intentions can be empirically observed and discerned. However, intended actions should not be mistaken for intended outcomes, for in the course of social conflict many of the intentions of social actors cross-cut each other and come together in complex and unpredictable patterns. Uncertainty of the intentions of other actors is a crucial factor when strategies are formed. Trust is a key concept which reduces this uncertainty without necessarily excluding conflict. Authority and legitimacy are other concepts which should be considered in this context.

Uncertainty means that it is important to distinguish between the perceptions of actors and the ex post facto reconstructions of historians. Both perspectives are necessary for consistent analysis but they have to be kept analytically apart.

In this perspective of historical complexity, strategies that are ex post facto successful can be given their specific logics analytically through reconstruction - which is not to say that there were no other alternatives or that what happened had to happen. Neither does my perspective mean that those who suggested or put to the test successful strategies necessarily realised the full potential of such strategies. Quite often, ex post facto successful strategies are proposed as part of a process of perpetual problem resolution - as short-term responses and reactions to emerging social problems, ignoring their long-term impact.

The way in which strategies, as responses to emerging problems in the organisation of the labour market or the whole society, were linked by the collective decisions and intentional actions of employers, unions, and politicians seems to demonstrate that somehow the capacity to bring about convergence between the

interests of key actors was greater in Sweden than in Germany. This capacity must be referred to the way in which interests are produced and identities constructed in the discursive struggles over the formulation of problems in the organisation of society and, in our specific case, the labour market.

Once interest production brings the interests of different actors and formations together in a single formula for change, it is likely that a successful strategy will emerge. By means of hindsight, the logic and rationality of such strategies are explored and explained in social discourse, and institutions with their own emerging inertia are established to implement them. Institutional inertia means that there is a tendency to self-fulfilment of the successful strategy.

The Swedish case not only reveals a successful bringing-together of separate interests and their institutionalisation, but it also demonstrates that new problems on the political agenda may require solutions which the strategy and its institutions fail to provide. This seems to be what happened in the 1980s. At such historical turning points, interest production, identity construction and the development of interpretive frameworks must be tackled from new perspectives. At the same time, the question of conflict or compromise becomes an open question.

In the case of labour-market organization in Sweden and Germany I have discerned such turning points in the 1890s, 1930s and 1970s/1980s. (Here I must emphasise that, although my final goal is to undertake a systematic comparison between Sweden and Germany, for the time being I have only an empirical foundation for an analysis of the Swedish case with special reference to Germany).

Interests and interest production are important in my perspective. As opposed to the theoretical derivation of interests, I would like to suggest that interests are produced as a result of discursive struggle. The theoretical derivation of interests can be illustrated by reference to E P Thompson's linkage of experience and interests. 'Experience' is a key concept in Thompson's The Making of the English Working Class. On the basis of experience English workers discovered their class identity. Interests and experience preceded class consciousness and structured the nature of people's



perceptions. Thompson sees interests as derivatives of productive relationships. The historian's question is one of timing and context: when and under what circumstances were these interests and the working-class identity (consciousness) they produced discovered?

This approach, however, leads to a serious theoretical impasse, well illustrated by notions such as 'false consciousness' and 'objective' or 'true' interests. The assumption has been an essentialist concept of class and the purpose of the analysis has been to demonstrate concordance with, or explain deviation from, positions which some socioeconomically derived logic is presumed to ascribe.<sup>1</sup> Historians have looked at the 'base' rather than at changes in the political struggle itself to explain changes in political allegiances. One possibility for avoiding this impasse would be to look upon interests and class identities the other way round: not as something which pre-exist their expressions but as something produced and given existence through their very expressions.

Such a shift in perspective calls for an analysis of the struggle for discursive power. An analysis of this kind must focus on how categories of class were formulated through representation in discursive contests where the goal was the right to define and identify problems, and their resolution, in the organisation of society. In such contests patterns of affirmations, negations, and repressions emerge in processes by which one definition comes out as more or less dominant. An analysis of discursive contests would look for both explicitly stated and implicitly structured political relationships. According to Joan Scott, the result would not be a unitary concept of class, not history as teleology, but a concept of class as a field that always contains multiple and contested meanings.<sup>2</sup>

1. Cf Peter Schöttler, 'Historians and Discourse Analysis' in *History Workshop Journal* No 27 Spring 1989 p 37. See also Bo Stråth, 'Introduction: Production of Meaning, Construction of Class Identities, and Social Change' in Bo Stråth (ed), *Language and the Construction of Class Identities. The Struggle for Discursive Power in Social Organisation. Scandinavia and Germany after 1800.* Gothenburg University 1990.
2. Joan Wallach Scott, *Gender and the Politics of History.* Columbia UP, New York 1988 pp 88-89.

The outcomes of conceptual struggles are always uncertain. The outcome of battles among social forces about the interpretation of a concept is a highly contingent affair the outcome of which is emergent not causative. The ability to launch new concepts that have the capacity to convince, and the ability to 'conquer' key concepts and positions of priority or of monopoly in the interpretation of them, is of critical importance in the historical process. However, concepts do not in themselves cause change, rather they establish a particular horizon for potential action. They make change possible, on the one hand, and they set limits for possible change, on the other. In this sense, concepts organised as discourses or ideologies are similar to what Weber called *Weltbilder* (worldviews) which function as *Weichensteller* (pointsmen), leading historical developments into new trajectories.

The historian who has most systematically focussed on conceptual analysis in his work is Reinhart Koselleck. As his point of departure he takes what he considers to characterise 'modernity', namely, a constant state of political crisis. Thus the term 'modernisation' takes on a new meaning, one that is different from the usual connotation of a rationally calculated, general evolutionary process of development. He has developed conceptual history (*Begriffsgeschichte*) both as a theory of modernity and as a method for historical analysis.<sup>3</sup>

Koselleck's methodological approach calls for a thorough investigation of the discursive aspect of major transitions. Questions need to be asked about what new concepts were introduced by whom, (and which old concepts were given new meanings), and to what purpose. The contours of a new conceptual topography constituting 'modernity' and its anticipation of the future can be discerned, and the way in which socioeconomic experience was mediated through this horizon can be analysed. This is the core of Koselleck's *Begriffsgeschichte*.

Koselleck's *Begriffsgeschichte* is more than a history of ideas. Linguistic transformations are mapped out empirically in the context of sociopolitical

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3. Reinhart Koselleck, *Critique and Crisis*, Cambridge UP 1989; *ibid*, *Futures Past*. On the Semantics of Historical Time. Cambridge UP 1985.



struggles.<sup>4</sup> Thus the analysis of language is grounded in the realities of non-linguistic events. Koselleck explicitly sees *Begriffsgeschichte* as a methodologically independent aid to social history, not as a kind of disembodied intellectual history.

### Historical Preconditions

The primary objective of Swedish trade unions when they developed their organisations in the 1880s and 1890s was to increase workers' power in the labour market, while control of work and the work process was of minor importance. Collective agreements became the instrument of this approach in the 1890s. The effect was the emergence of strong trade unions which restricted price competition and other sales conditions on the labour market.<sup>5</sup>

An extremely important aspect of the historical context within which this development took place was emigration to North America. Between 1850 and 1920, 1 million Swedes emigrated, out of a total population of 5.2 million in 1900. Corresponding levels were only reached in Ireland and Norway.

The perception of a tight labour market during this crucial phase of industrialisation in Sweden set important preconditions for union strategies. The perception was a major problem in social and political discourse at the turn of the century. The problem as seen by the bourgeoisie was not so much the threat of a rising mob as the threat of a long-term labour shortage.

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4. The fact that the direction of the social change cannot be theoretically predicted and does not conform to law should not lead us to think (or fear) that Koselleck brings us back to Ranke's historicism, where the role of social and economic processes is neglected at the expense of 'the understandable actions of great individuals'. Koselleck's approach emphasises the role of human agency but rejects a method which, in a biased way, underlines the individual. His approach opens up the path towards social sciences and the 'material reality'.
  5. Klas Åmark, *Facklig makt och fackligt medlemskap*. Arkiv, Lund 1986 has described this process as the establishment of open cartels on the labour side (as well as on the capital side). Open cartels were the key element of both organised labour and organised capital.

This perceived labour market situation gave specific strength to the unions which as a result gave priority to the improving conditions in the labour market. The implicit idea was that if the unions succeeded in this, their control over work and the work process would increase indirectly, without it being necessary to target such control as a primary goal in itself. Clause 23 in the charter of the Swedish Employers' Association (SAF) gave employers the exclusive right to 'direct and distribute work' within enterprises. Although the clause was a thorn in the side of the union leaders until it was repealed through government legislation in 1976, it was never an energy-absorbing primary object of attack. The clause could be circumvented in different ways.

This pattern of development is an important deviation from what happened in Germany where attempts to develop institutions for conflict regulation and to 'modernise' industrial relations occurred concomitantly with the launching by the employers' organisations of an ideological struggle against the workers. In Sweden the employers' organisations were not fighting organisations to anything like the same extent. The significance of the organisation of capitalist interests was different in Germany. There was no organisation in Sweden which could compare with the associations of the *Schwerindustrielle* in the Ruhr area. The *Centralverband Deutscher Industriellen* where the *Herren aus dem Westen* held a powerful position had no analogue in Sweden. Another striking difference was the regional and sectoral division of organised employers' cooperation in Germany which brought a pattern where there were both 'hawk' and 'dove' perspectives on the question of how to treat the emerging organisation of labour. There was an obvious trend towards the modernisation of conflict as in Sweden, but this was offset by an opposing trend whereby employers aimed to crush the unions. Taken together this contradictory pattern resulted in a much more polarised order than in Sweden.

In Sweden the organisation of employers was much more homogeneous. In 1902 a strong, centralised and hierarchical peak organisation (SAF) was established as a response to the establishment of the unions' centralised and hierarchical



organisation (LO) in 1898. By the turn of the century the organisation of the Swedish labour market acquired its distinctive features of a strongly centralised and hierarchical order. In Germany the pattern was much more complex and diverse.

The organization of capital in Sweden was more an instrument of professional problem resolution than an instrument for ideological struggle. Swedish employers realised that the trade unions had grown very strong during the 1890s and 1900s, and they drew conclusions from this insight which also paid regard to the perceived threat of a long-term labour shortage. These conclusions were only temporarily set aside following the heavy defeat of the unions in the general strike of 1909. United action by the workers in a single movement - in which, as early as in the 1890s, more than one-fourth of the total workforce was unionised - left no scope, for instance, for yellow unions. The employers realised this early as well. In Germany not only the employers but also the union movement was much more split and divided. Regionally, the liberal and catholic unions gained considerable strength and in some cases even outflanked the socialist unions.

When workers in Sweden began to unionise and to demand the right to conclude collective agreements, employers were faced with a choice of strategies. Between 1895 and 1910 a regulative order emerged in the labour market, and the institutions of a collective-agreement regime were formed. The employers and their peak organization, SAF, gave priority to calculability and predictability in their relations with the trade unions. The unions' peak organization, LO, established in 1898, accepted the prerogative of the employers to decide over the work process and concentrated on wages.

The emergence of a new collective-bargaining order was not the inevitable consequence of structural preconditions. Rather, the emerging order was gradually tried and tested in a process whereby different local cultures, with varying power relationships and strategy options and preferences, were gradually transformed into an emerging national order.

This emerging order did not mean that the labour market became especially peaceful or consensual but only that conflict was regulated and institutionalised. Sweden was the most strike-prone country in Western Europe in the early 20th century. The period round about the turn of the century was one of rapid union growth: between 1902 and 1907, for instance, union membership increased by 260 per cent.<sup>6</sup> The employers realised the advantages of controlled conflict and of collective agreements as opposed to uncontrolled conflict and no agreements. It was a question of establishing a balance of power with the aim of preventing conflict from exceeding an acceptable level.

The Swedish sociologist Göran Therborn explains the specific form of the institutionalisation of labour market relations in Sweden in terms of the management styles of professional managers and the strength of the workers' organisation.<sup>7</sup> Once the employers had recognised the strength of the unions and contributed to the development of a policy for conflict regulation, they became very legalistic. They developed the policy through negotiations, formalised agreements and firm adherence to the letter of the agreements vis-à-vis both the unions and their own members. The early policies of SAF were formulated by law school graduates. Between 1907 and 1976 SAF never had a managing director with experience of industry. They were all professionals in law. The long-term consequence of this approach was that the state could take up a fairly neutral stance early on. There was 'a complete lack of proneness to ideological proclamations' in the approach of the employers.<sup>8</sup> This, in turn, had consequences for the Social Democrats' view of the state. They never got caught in the squeeze between class and state as the Social Democrats did in Germany.

Rapid union growth during the 1890s and the development of stable organisations and efficient union leadership brought about a division of labour

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6. Ibid

7. Göran Therborn, *Borgarklass och byråkrati i Sverige*. Arkiv, Lund 1989 pp 153-162.

8. Ibid.



between the Social Democratic Party and the unions. The process of gradual development of institutions for conflict regulation did not result in a chasm between class and state, as in Germany. Major lockouts in the engineering industry in 1903 and 1905 resulted not only in the December Compromise in 1906, implying mutual recognition and agreement on collective bargaining, but also the establishment of a government conciliation board which gained legitimacy and decreased direct Social Democratic involvement in the regulation of conflict in the labour market.

At the turn of the century in both Sweden and Germany, the phase of what I would like to call 'organised capitalism' involved the expansion of heavy industry; the homogenisation of the working-class; class consciousness and a polarised perception of society; the unionisation of the workers; and the organisation of capital, attributable to the growing strength of the unions. In both Sweden and Germany, the transition to organised capital brought strong organisations of both labour and capital.

However, the case of Sweden demonstrates that organised capital did not necessarily lead to polarisation as it did in Germany. In Sweden the polarised perception of society which took root in the wake of the emergence of organised capitalism was supplemented and depolarised by a perception of the working class as part of the *småfolket*, 'the petty people', which, in turn, was the core of the whole *folket*. While the working class was certainly homogenised, bridging networks to other social groups were simultaneously developed meaning that there was little space for a real class struggle metaphor. The mutual recognition in the December Compromise in 1906, after the lockouts in the engineering industry in 1903 and 1905, gave little scope for any kind of *Herr-im-Hause* metaphor as in Germany. The development of union strategies and of industrial relations in the direction of 'empirical opportunism' and the 'rationalisation' of conflict in the labour market were highly compatible with the parliamentary strategy of the Social Democrats, who gave priority to the search for class alliances and political compromises.

### The Converging Interests in Rationalisation

At the turn of the century, reductions in working hours strengthened the employers' interest in work efficiency. At first this interest provoked workers' opposition. In 1911 the managing director of SAF accused the workers of resisting rationalisation. The chairman of LO refuted the accusation. The central problem was that Swedish industry was working with out-of-date methods. The workers did not oppose piece work wages on principle, for instance, although they were very critical of rationalisation in the form that Taylor suggested.<sup>9</sup>

A twenty-year period followed when both the employers and the unions in the engineering industry argued that they favoured rational production and rationalisation, although - and this is important - there was conflict and evasiveness over the precise content of the concept.

Although its content was disputed, grounds for this shared interest in rationalisation emerged during the public debate between 1890 and 1910 on how to achieve industrial expansion and discourage workers from emigrating to North America.<sup>10</sup> Another factor working in the same direction was the reduction in working hours between 1891 and 1920 from 62 to 48 per week in the engineering industry, (i.e. a reduction of 22.5 per cent). The workers demanded wage compensation for the reduction in their incomes. The response of the Engineering Employers' Association was to require increased efficiency of labour. The reduction in working hours was to be exploited to achieve maximal work intensity, and the Association elaborated a programme for 'efficient working hours'.<sup>11</sup>

In the 1910s, the emergence of an agreement on how to deal with the reduction in working hours was, in turn, closely related to the fact that the problem of

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9. Anders Johansson, *Tillväxt och klassarbete*. Tiden, Stockholm 1989 esp chs 2,3,6.

10. *Ibid* p 35.

11. Alf Johansson, *Den effektiva arbetstiden. Verkstäderna och arbetsintensitetens problem 1900-1920*. Uppsala 1977 pp 62-65, 110-112.



the Swedish labour market had to do with a perceived shortage of labour. This point of departure took on a completely new significance a year after the legislation of 1919 on the eight-hour working-day. The postwar depression beginning in the summer of 1920 brought unemployment levels never seen before, e.g. 25-30 per cent in the engineering industry.

The decision, in 1919, to introduce the eight-hour day, and the economic depression of the early 1920s led workers to hold a broader and deeper view of rationalisation. In reaction to employers' demands for reduced wages when working hours were decreased - demands which were repeated during the depression of the early 1920s when nothing could prevent the employers from carrying through normal wage cuts - the metalworkers' union argued that reductions could be compensated for by increased work intensity and by the more rational use of equipment. I.e., when exposed to the depression, the metalworkers used what had earlier been the employers' argument. When, during the economic crisis, the employers started to cut wages, the message of the unions was that rationalisation measures should first be tried out in order to decrease production costs. In 1921 LO suggested the establishment of a tripartite board for the promotion of structural rationalisation in Swedish industry.<sup>12</sup>

The issue of the eight-hour day had a completely different outcome in Germany, where it brought conflict between the unions and the employers a few years after it was implemented. Organized capital and organized labour were both aware that there was a need for productivity improvements and hence for rationalisation; but they completely failed to agree on a strategy capable of realizing it. For employers in the heavy industry of the Ruhr district 'rationalisation' became a key concept involved in recapturing concessions made to the unions in 1918.<sup>13</sup> Replacement of the equipment worn out during the war brought

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12. Anders Johansson op cit p 54.

13. Gerald D Feldman and Irmgard Steinisch, 'Die Weimarer Republik zwischen Sozial- und Wirtschaftsstaat. Die Entscheidung gegen den Achtstundentag' in Archiv für Sozialgeschichte 21 (1981) p 360.

accelerated rationalisation and enormous productivity gains. The heyday of this rationalisation was the period between 1925 and 1929. In the mechanical engineering industry, productivity increased by 45 per cent between 1924 and 1927 and in the iron industry by 41 per cent, such increases being a reflection of enhanced rationalisation. Another effect was increased job insecurity. The instruments of rationalisation were concentration and cartelisation on the one hand, and intensified exploitation of new materials, energy, machinery, and labour on the other. In industries like the iron and steel industry, where machines already determined the pace of work, increased work intensity was less feasible than an extension of the working hours. Thus, for the metalworkers' union, 'rationalisation' at the beginning of the 1920s meant longer working hours, and by the end of the decade and in the early 1930s, unemployment.

In Sweden there was a change in the unions' interpretative framework in that an emphasis on rationalisation as impoverishment and exploitation gave way to an interest in the question of the distribution of increased production. There was also a change from a concentration on the impact of rationalisation on the organisation of work to a concentration on its economic yield - which in turn could provide the basis for an improved standard of living, reforms, and wage improvements.

In the metal workers' unions the view rapidly gained ground that instead of being a zero-sum game where the gain of one party necessarily meant a loss for the other, increased production efficiency would mean a bigger pie to share between capital and labour. The unions moved from a Marxist exploitation-and-impoverishment perspective towards a reformist view of production increases. The LO congress of 1926 was important in this development.<sup>14</sup>

However, the congress not only revealed a new orientation but also demonstrated that the question was still highly controversial among the rank and file. At a tripartite industrial peace conference in the autumn of 1928, initiated by the Swedish government in the prevailing mood of Mondism in those days, the

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14. Anders Johansson op cit pp 54-55.



metalworkers' representative argued that conflict was inevitable when rationalisation brought redundancy and/or downward pressure on piecework rates. The metalworkers were not opposed to rationalisation per se, only to these two effects.<sup>15</sup>

At the beginning of the conference a new concept was suggested as a basis for compromise: 'rational rationalisation'. While the objections of the workers were recognised, there was agreement that in the long run rationalisation produced new jobs. It was agreed that it was important to spread information about what rationalisation really was and about the advantages it brought. On the basis of this agreement rationalisation was given a new definition, whereby its content could vary and as a result of which there was no need for the tautological 'rational rationalisation'. In the report of a tripartite Industrial Peace Delegation in 1929 it was stated that rationalisation was in the interests of employers and workers alike. The scientific organisation of work and the simplification of production methods were said to be especially important.<sup>16</sup>

The means of achieving these aims were 'work planning and time and motion study'. Rationalisation brought increased production at lower costs. While there might be some short-term redundancy, rationalisation released capital for expansion projects and the establishment of new enterprises which, in turn, created new employment. Rationalisation was necessary in order to be able to compete in international markets, and it 'increased the possibilities of maintaining or raising wages'. Rationalisation measures were to be taken in the light of 'social considerations' in order to mitigate workers' difficulties during the period of transition from one job to another.

Anders Johansson has demonstrated how the emergence of consensual views on the concept of rationalisation in the late 1920s meant that work-study engineers advanced at the front lines, as the combat soldiers of the emerging Swedish model. As a result of their work, increased profits could be generated which

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15. Ibid pp 63-76.

16. Ibid pp 84-89.

the representatives of capital and labour could then distribute at the negotiating table.

Swedish industry in the 1920s was still very strike-prone in comparison with other nations. Thus, in tandem with the institutionalisation of collective bargaining and the development of interest in rationalisation, there was a heightened concern to reduce the level of conflict. In the 1920s tripartite interest in this issue increased sharply.

Social Democratic, Liberal and Conservative governments all gave proof of their interest in industrial peace. In 1921 the Social Democratic government appointed a committee which was, however, shelved after just one year. In 1924 the committee was reestablished by a Conservative government. In 1926 a Social Democratic government appointed a new tripartite inquiry committee. In 1928 a Liberal government introduced a law concerning collective agreements. This law established a Labour Court - implying the imposition of industrial peace when there was a standing agreement.

### **The Turning Points of the 1930s**

The economic depression in the early 1930s brought rapidly increasing unemployment. In the union movement rationalisation became one of the main targets of rank and file criticism; for rationalisation brought increased production capacity, which made the workers redundant.

In Sweden, during the talks on industrial peace in the late 1920s, the unions had already declared that there was a connection between rationalisation and unemployment. A sense of responsibility for the victims of rationalisation was a prerequisite for union participation in the talks. At the LO congress in 1931 there was caustic criticism of the cooperative approach of the unions. The congress forced LO



temporarily to leave the tripartite Industrial Peace Committee. Central cooperation came to nothing.<sup>17</sup>

Again, the problem of industrial peace was a major issue on the political agenda. No government could remain unconcerned about this question. The Social Democratic minority government replaced the old relief work policy - something that was akin to poor relief - with unemployment insurance (see below).

The unemployment effects of the severe crisis; the criticism of rationalisation; the collapse of the labour-market compromise, and the threat that Sweden would again become one of the most strike-prone countries in the industrialised world - all these formed a chain reaction which provoked the government to intervene after it had secured its position in parliament through a 'red-green' agreement with the farmers, known as the 'Horse Trade Agreement' (*kohandeln*). The Social Democratic recipe was not original. Its response to the crisis was not based on a theoretically well thought-out strategy, but was merely a political response to immediate social and economic pressure. The government simply did what it felt politically obliged to do, and in order to be able to do anything at all it had to do some genuine horse trading with the farmers: unemployment benefits at the level of market wages were exchanged for increased prices for agricultural products. Only later did Keynes legitimise this strategy. Unemployment, which stood at 15 per cent in 1933 was still at a level of 9 per cent in 1939. Thus, in that respect, the effects of the 'horse trade' were not particularly dramatic. Its effects on the level of legitimacy were much more decisive. After all, the figures declined and people started to believe that in the future the economic situation would be easier to control.

An important aspect of the government's intervention in 1932-3 was it took responsibility for redundancies arising from rationalisation. New preconditions for a resumption of the labour-market compromise were met in 1934 when the government introduced a system of voluntary unemployment insurance. The unions had argued for a compulsory scheme; however, the Minister of Social Welfare,

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17. Ibid pp 103-111.

Gustav Möller decided in favour of voluntary insurance along the lines of proposals which the Liberals had been making since the 1920s. Möller's legislation gave responsibility for managing the funds to the unions. In his view the government had an obligation to support only those workers who took responsibility for themselves by joining a union unemployment scheme. The long-term effect of this union-administrated voluntary unemployment insurance was a rapidly growing rate of unionisation. Bo Rothstein has convincingly argued, on the basis of an international comparison, that this effect of the principle of voluntarism was a decisive factor contributing to the strength and status of the unions in Swedish society.<sup>18</sup>

The decision on unemployment insurance became a key element in the realisation of institutions aimed at establishing Social Democratic control over the labour market. Labour-market policy ceased to harass and interfere with vital union interests and became a powerful support of union policies. Social-Democratic political power in the 1930s was used to strengthen the unions which, in turn, became a powerful support of Social-Democratic politics in an interactive and mutually reinforcing order which developed its own institutional dynamics.

In 1935 the government's commission on unemployment submitted its final report. The conclusions of this committee of expert economists were founded on neoclassical wage theory and recommended a policy of wage-restraint to the unions in order to mitigate unemployment. LO criticised the report for making wages policy the main determinant of unemployment. LO argued that rationalisation was the main cause and raised the question of government control of rationalisation.

In January, 1936 Prime Minister Per Albin Hansson and the Minister of Social Welfare, Gustav Möller, proposed tripartite negotiations within a framework of much more direct government leadership than had characterised the tripartite talks

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18. Bo Rothstein, 'Labor Market Institutions and Working Class Strength'. Paper for the Conference on The New Institutionalism - State, Society and Economy in Europe and the United States at the University of Colorado, Boulder, January 11-13, 1990.



initiated by the Conservative government in 1928, where the role of the government had been more passive.

LO at first welcomed the new government initiative, while SAF was reluctant. SAF spokesmen instead proposed bilateral talks between themselves and LO, for they feared dictates from the Social Democratic government. However, LO also experienced a potential political threat. The parliamentary situation was unstable and the long-term fate of the minority government was highly uncertain. A future Conservative-Liberal government might intervene with legislation to protect employers' rights in industrial conflict and to restrict the right to strike. The Conservatives had gone on the offensive on this question and demanded legislation.<sup>19</sup>

Given an uncertain parliamentary situation, in which both parties experienced threats from legislation, LO agreed to SAF's proposal to hold bilateral talks. The government resented LO's decision, but there was nothing much it could do about it. Under the threat of legislation, LO and SAF negotiated for two years before signing the Saltsjöbaden Agreement in 1938. A new agreement in 1942 on rationalisation and industrial welfare confirmed the stability of the bipartite agreement.

The agreement at Saltsjöbaden was to become one of the most important elements of the Swedish model. The issue of industrial peace was finally removed from the political agenda, and stayed off it for the next three decades.

Given the LO-SAF agreement in 1938 on collective bargaining and industrial peace, and the Social Democrats' long-term hold on government power from 1936 to 1976, the focus of the model became economic policy. This necessarily had to involve the government. In the tripartite institutional framework which emerged, a division of labour was established whereby the labour market and wage bargaining became the concerns of organised capital and labour, increasingly hierarchically organised under the peak organizations of LO and SAF. The Social Democrats

19. Anders Johansson op cit pp 144-148.

established a framework for enterprises in a capitalist economy where productivity and profits in turn increased political distributive power. While it is a well-founded argument that labour organised capital, the two branches of the labour movement produced a model that also took the interests of employers into consideration. The formula that was gradually hammered out included the promotion of a high productivity capitalist economy, generating high profits. Although there was conflict between the unions and employers over the distribution of profits/wages, such conflict was mitigated by the protective cloak of a Social Democratic government which had overall responsibility for distribution and used taxes and budget transfers as important instruments of policy-implementation. In practice, the model contained tensions between class interests and broader popular interests on which parliamentary power could be built. However, these tensions were much less severe and did not provoke anything like the same loss of legitimacy as the tensions which existed when the Social Democrats in the Weimar Republic represented state interests. One sign of the lack of severity of tensions in Sweden was the fact that the Communist party never acquired more than 5 per cent of the votes cast in Parliamentary elections, except in 1944 (when it gained 10 per cent).

A distinctive feature of developments in Sweden was the compromise over definition of the concept of rationalisation. The compromise was not a result of direct government participation or the threat of legislation. It was based on a formula which engineered convergence between the core interests of employers and unions on the one hand, and a broader societal interest in industrial peace and productive efficiency, on the other. The power relationships underlying this triangular pattern gave the Swedish state-society network its specific character. By the end of the 1930s, Sweden came very close to the ideal type of what Rolf Torstendahl has called participatory capitalism.

In Germany, cultural and institutional assumptions were different and set different preconditions for the restructuring of the 1930s. In the German union movement the theory of purchasing power received increasing attention in the



wake of growing unemployment figures. The point of departure for the unionists' theory was that productivity in the 1920s had increased by leaps and bounds, with the implication that industrial production capacity far exceeded demand. Through enhanced mass consumption, the demand side would have to be strengthened so that labour made redundant through the rationalisation drive could again be integrated into the labour process. The *Deutscher Metallarbeiter-Verband* (DMV) in particular took over this argument. The 'rationalisation rage' of the employers was argued to be the triggering factor. The remedy for unemployment was consequently seen to be shorter working hours.<sup>20</sup>

The metalworkers' strategy was based on the assumption of wage compensation for the reduction in working hours. The strategy led to tension in the union movement, because Fritz Tarnow, the economic advisor to the unions' peak organization, ADGB, argued that wage compensation was an impossible goal given prevailing power relationships. He argued therefore, for a job-creation programme by means of an expansionist budgetary policy, something for which he hoped to get Social Democratic support in the *Reichstag*. According to Tarnow, the SPD had to act as both heir and doctor at the bedside of capitalism. The cyclical crisis had to be gradually combatted through a systematic job-creation policy to be implemented by budgetary expansion - though without giving up the goal of socialism.<sup>21</sup>

Experience of the hyper-inflation period was still fresh in the memory of the metalworkers who reacted negatively to Tarnow's proposal. The only outcome of 'monetary experiments' would be a price rise which would hit unprotected workers. In the DMV, for a short while at the end of 1931, the unemployment question got the upper hand over inflation. This was due not only to the rising unemployment figures but also to the fact that the Communist party had become the party of the unemployed. However, following the DMV's new stand, in the spring of 1932 when a

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20. Wolfgang Zollitsch, 'Einzelgewerkschaften und Arbeitsbeschaffung: Zum Handlungsspielraum der Arbeiterbewegung in der Spätphase der Weimarer Republik' in: *Geschichte und Gesellschaft* No 1 1982 pp 94-97.

21. Ibid p 99.

united union front at last seemed possible, the SPD hesitated. Rudolf Hilferding opposed the ADGB's job-creation plan because it risked inflation and because it was 'un-Marxist'.<sup>22</sup>

The dilemma of the ADGB's double 'doctor-heir strategy' (cyclical job-creation within the framework of the capitalist order and the introduction of socialism) and its lack of potential became apparent when the Papen government tried to adopt an expansionist strategy and began to introduce a job-creation plan of its own. The unions found it impossible to support the steps taken by the government because the proposed tax credit notes only favoured the employers and also threatened some of the social achievements of the Weimar Republic.

The unions' response was to demand a 'consistent socialist policy'. The government's job-creation plan had to be eliminated from the agenda. According to the chairman of the DMV, support for it would cast doubt on the seriousness of the goal of socialism.<sup>23</sup> His argument must be seen in the framework of the factional struggle with the Communists. While ADGB and SPD failed to agree on a common strategy, the Nazis managed to gain support for a programme involving both socialism and job-creation. Given the rigid structures of organised capital and the state bureaucracy, and given the experiences of hyperinflation, the linkage between rationalisation and unemployment was too strong to cut.

In both Germany and Sweden the unions placed pressure on the Social-Democratic parties. The difference was that in Germany the unions forced the Social-Democratic chancellor Hermann Müller to destroy the government in 1930 when he failed to win the consent of the coalition parties to an agreement he had made with the unions whereby the fees paid by the employers for unemployment insurance would be raised in order to finance the increasing unemployment. After this cabinet crisis, rule by presidential decree was introduced. In Sweden, union pressure led the Social Democrats to look for a coalition partner in order to get parliamentary support

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22. Ibid pp 99, 103-105.

23. Ibid p 109.



for increased unemployment compensation. The 'red-green' coalition became the start of a period of Social-Democratic government which lasted for more than 40 years.

### **The Wage Policy with Solidarity**

In West Germany after WW II the pressing needs of reconstruction were a powerful driving force in an economic context in which the role of the unions in the 1950s was much more marginal than in Sweden. In Sweden around 1950 the unions' production or productivity philosophy, derived from the compromise on rationalisation, began to be used to develop a counter-strategy to the stabilisation policy of the Social Democratic government. The stabilisation policy tried to use wage-restraint to achieve high profits and a high level of investment in industry together with low inflation. The unions' 'wage policy with solidarity' meant that equal wages would be paid for equal work. The implication was that less profitable enterprises which could not pay the stipulated wages would have to close down. The wage level in profitable enterprises and industries was used as a benchmark in centralized wage negotiations. Union wage policy was a powerful instrument for structural change and for the transfer of labour from low to high productivity industries. The unions even pushed for layoffs and contraction in less competitive industries such as textiles, and encouraged an inter-regional and inter-industrial transfer of labour, especially to the engineering industry.

The compromise on the concept of rationalisation in the late 1920s, reconfirmed in 1938 after the temporary interruption in the early 1930s, gave a certain right of interpretation to employers concerning the precise measures to be adopted, with time studies as important instruments for change. The 'wage policy with solidarity' became an important driving force for the continued rationalisation of industry, for it placed low productivity enterprises under pressure. Threats of redundancy were met by general measures to stimulate mobility (moving

allowances, retraining courses, labour exchange offices, etc) combined with selective employment incentives for stagnating regions, industries and enterprises (state orders, state enterprises or state subsidies of production and jobs).

When, in 1957, the Social Democrats at last accepted the model which had been elaborated by the LO economists Gösta Rehn and Rudolf Meidner, it also consented to a union claim to strengthen the Labour Market Board. Considerable resources were allocated to labour-market training centres. LO's strategy was not a strategy for dealing with unemployment, but a means to the flexible transfer of labour in order to promote high productivity, and to increase the wages of the lowest paid workers. The Labour Market Board and its retraining centres became the pivots ('the active labour-market policy') of this new strategy.

Role-casting in tripartite bargaining meant that through the active labour-market policy, the government took care of redundant workers so that after retraining, they could be transferred from declining to expanding industries. One general prerequisite was the high status of the unions, achieved not least through their production philosophy. Another prerequisite was the Social Democratic government's distribution of welfare and their political framework for freedom of action for capitalist enterprises.

The tripartite bargaining model of structural change was based on a growing economy, where minor structural problems could be taken care of by general growth. The Rehn-Meidner model stressed the close links between stabilisation policy, wage formation and labour-market policy. Labour-market policy was viewed as a necessary complement to general fiscal and monetary policy if the goals of full employment and price stability were to be realised. The 1950s and 1960s saw the culmination of tripartite economic management and social engineering based on the rationalisation compromise.



### Strains in the Strategy

The economic logic of the wage solidarity approach was that firms were prevented from escaping from the consequences of poor performance in the product market, bad management or failure to invest in modern equipment by paying low wages. But the maintenance of the principle of equal pay for equal work also required wage restraint on the part of the employees in enterprises where the ability to pay was high. This restraint generated 'excess' profits for the employers in these enterprises and as there was no mechanism for transferring these gains to the employees in enterprises with a lower wage level they accrued to the shareholders. Under such circumstances it is not surprising that the employees in the most profitable enterprises did not accept wage restraint permanently.

In 1973 Rudolf Meidner initiated a union inquiry into this problem. His point of departure was that the growth potential of profitable enterprises had to be maintained. The Meidner Report recommended that part of the 'excess' profits should be redistributed to the employees; not only to those in the profitable enterprises - for this would have been a veiled wage increase incompatible with wage policy with solidarity - but into central wage-earner funds. These ideas provoked massive protests from the employers who formed a committee which came to be called 4th October (the date of a spectacular demonstration in Stockholm in which tens of thousands of them rallied to fight the union proposal). In 1983 the Social Democratic government forced a very diluted wage-earner funds bill through Parliament.

The strains on the wage-solidarity and active labour-market policy derived not only from its success in generating high profits in successful firms. The model was also put under pressure by the decentralising force of changes in the organisation of work within the private manufacturing sector. This decentralising tendency brought about a transition from geographical and intra-industrial mobility to local inter-company and internal company mobility. At the level of the firm, slogans such as 'teamwork', 'job design', 'employee's profit sharing' and so on reflected a managerial

strategy based on the construction of new identities whereby workers and employers were no longer in an employer-employee relationship, but were 'colleagues' in a joint venture, *medarbetare*. This development seems to be part of a general Western European trend towards an industrial relations policy based on the 'corporate' culture. The problem for the unions is that old loyalties within the union movement based on a nation-wide and trans-sectoral class identity are supplemented and challenged by cross-cutting loyalties. Wage policy with solidarity breaks down against local management-workforce coalitions. The implications for union strategy of the emergence of such 'decentralised' and 'fragmentary' identities can hardly be overestimated.

This new gravitation of identity-construction towards the local, company level has not necessarily meant that class identity and class awareness have declined. Rather, it has been a matter of class identity and ties of loyalty being focussed on new units. Solidarity and collective ideals have not disappeared but their social basis seems to have shrunk to smaller sections of workers and employees. This is hardly a matter of a new individualism. Collective ideals and collective performance have not been given up but have simply changed their form and focus.

One important factor in this development has been deindustrialisation and the restructuring of key industries in manufacturing sectors such as steel and shipbuilding. In the struggle for survival in a declining market, local unions and management formed fighting forces against other corresponding constellations in other companies. The bounds which separated 'we' from 'they' gradually took on new shape.

This pattern of identity transformation has not only emerged in declining industries, however. Enterprises which have generated high profits in the engineering industry, for instance, have developed strategies to integrate core groups of workers as 'colleagues' in order to increase productivity when the possibilities of piece work and the conveyor belt of taylorism (or fordism) have been exhausted. There has



been a wealth of empirical evidence of this pattern over the last decade, and the concept of 'postfordism' has been launched to describe the development theoretically. Without getting into a discussion of the fruitfulness of the concept, 'postfordism' no doubt covers an internationally observed reality of major proportions. In Sweden the automobile company of Volvo in particular illustrates this trend.

More generally, the 1970s saw the disappearance of the prerequisites which underpinned the success of the wage policy of the 1950s and 1960s. The forces of expansion within industry became weaker. Investment was low and enterprises were increasingly exposed to cost crises as international competition intensified. There was a tendency for labour to be attracted to the protected public sector rather than to the technological vanguard of manufacturing industry - which either contracted or had to try out new ways to enhance productivity in order to avoid contraction.

Workers' propensity to change jobs also declined, an attitudinal change which lay behind growing pressure for job-protection legislation. Demands were made for codetermination and job protection and these were accompanied by the same dramatic political and ideological radicalisation which at the time was sweeping Western Europe as a whole. In Sweden the union movement pressed for changes and where they failed to secure agreement the Social Democratic government was used as a means to circumvent the resistance of the employers: the employee representation on company boards from 1973, the job protection law in 1974 and codetermination in 1976 are just a few examples of the success of this strategy. This aspect of Social-Democratic labour-market policy was qualitatively different from the previous emphasis on distribution and the organisation of capital within a general regulatory framework. However, all the laws had their roots in a period of sustained economic growth. The heightened level of union influence was intended to be exerted in the distribution of an ever increasing pie and to overcome problems arising from the pace of change. When key industries collapsed in the 1970s in a generally stagnating economy, union influence had to be exerted in an

economic environment quite different from the one that had been anticipated. In these circumstances the legislation took on new significance.

The job protection legislation reduced workers' incentives to quit stagnating enterprises. Thus a central problem became how to combine the wage policy with solidarity (requiring transfer of labour) and the policy of employment protection - which was designed to ameliorate the worst effects of rapid industrial decline.

I suggest that the tendency towards job protection and local cooperation at the company level - where the forces encouraging mobility and centralisation in the labour market have been weakened, both on the employer and the employee side, (at least in manufacturing industry) - is related to the increasing use of subcontractors - with the emergence of a segmented labour market as a conceivable consequence. Such problems generated local alliances - between employers and strongly placed employees - which can also be regarded as reactions by representatives of both sides of industry and government to restrictive macro-economic policies. This tendency is obvious especially in the Swedish car industry. There, high profits, high pay, and high job security coexist with a growing sector of lower-paid subcontracting workers, indicating an ability of employers and core workers to resolve differences between themselves at the expense of workers forced into the secondary sector.

Other challenges to the model came from the changing structure of the economy brought about by the growth of services, especially the public services.

The rapid growth of the public sector should be regarded as coincidental with, rather than a response to, the rapid decline of key industries such as steel and shipbuilding. The politics of deindustrialisation had their own special logic driven by the emergence of mass lay-offs across broad industrial sectors, something which stretched the active labour market policy to its limit.<sup>24</sup>

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24. See Bo Stråth, *The Politics of Industrialisation*. Croom Helm, London 1987 ch 4 for the case of shipbuilding.



Developments in Sweden from 1960 increased employment from 3.3 million to 4.3 million by the mid-1980s. This growth was especially dramatic in the 1970s as more women entered the labour market. Restructuring and decline in manufacturing industry caused a loss of 10,000-15,000 jobs a year in this sector but such losses were more than compensated for by the expansion in public sector jobs. Thus the high productivity enterprises in the active labour-market policy model of the union economists came to be replaced by the public sector as an absorber of labour. The public sector's role in increasing employment is reflected in its increasing share of GDP from 30 per cent in 1960 to 67 per cent in 1983.

The fact that this dramatic change could occur without a real loss of political legitimacy (an important part of the growth of the public sector occurred under the six years of Centre-Right governments, 1976-1982, with crisis packages to ailing industries) can only be understood in the context of the active labour market policy. Unemployment in Sweden in the 1970s and 1980s never exceeded 3.5 per cent. After peaking at this level at the beginning of the 1980s, the figure declined to 1.5-2 per cent. The hegemony of the active labour-market policy, in turn, is part of a larger political and cultural framework developed by the Social Democrats since the 1930s, which finds its most powerful intellectual expression in the *folkhemmet* metaphor: the nation as the home of the people.

In 1965 the private sector employed more than twice as many women as the public sector. Between 1965 and 1983 public sector employment increased by 264 per cent so that by the latter year, female employment in the public sector outstripped that in the private sector. By this time, 54 per cent of employed women had jobs in the public sector and by 1989 78 per cent of the employees in that sector were women. Thus the growth in public sector employment was largely a growth in the employment of women.

By 1989 only 22 per cent of the employees in the private sector (where wages were highest) were women. Restructuring of the economy has concentrated female employment in the public sector and in a few typically female occupations

there - in medical, nursery and social services - and has created gender specific segregations in the labour market.<sup>25</sup> This cannot be concealed by the fact that equal pay for equal work apparently operates in Sweden because women are concentrated in low paid occupations.

This dramatic restructuring of the labour market and the labour force, of course meant just as dramatic a restructuring of the union membership - which in turn, brought new problems to the union movement. The slogan of wage policy with solidarity lost relevance for increasing proportions of the labour force.

It is important to emphasise that growth in the public sector and the high level of female participation in the labour market (80 per cent) was achieved by political decisions to expand the social, nursery and education services in the 1960s. This, in turn, must be related to the parliamentary situation. The Social Democrats realised at an early date that they had to build class alliances in order to gain and maintain parliamentary power. From the 1930s to the 1950s they built such an alliance with the farmers. In the late 1950s the base of this alliance had been eroded due to the decline of agriculture. In this situation the Social Democrats turned to the growing middle class of white-collar employees. The middle classes were attracted by qualitative changes in the Social Democrats' perception of the welfare state. The 'minimalistic' approach, by which the poor were guaranteed a minimum safety net of social security was exchanged for a 'maximalistic' strategy. Rather than a welfare state shaped around the requirements of the working class it was designed to meet the standard of the middle classes: a higher standard of service to which the working class also gained access. Pensions, sickness insurance, unemployment insurance, and other reforms were adjusted upwards, something which made the new strategy very expansive.<sup>26</sup>

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25. Gösta Esping-Andersen, 'Jämlikhet, effektivitet och makt. Socialdemokratisk välfärdspolitik' in: Klaus Misgeld, Karl Molin and Klas Åmark (eds), *Socialdemokraternas samhälle. SAP och Sverige under 100 år. Tiden*, Stockholm 1989.

26. Ibid.



This transformation brought an explosive growth of social expenditures and taxes in the 1960s and 1970s and a dramatic increase in the level of female participation in the labour market. Increasing taxes encouraged women to enter the labour market in order to increase real household incomes. Their labour was demanded and they were absorbed into the rapidly growing social-services sector at low levels of pay, a fact that eased somewhat the escalating costs, although it posed a long-term problem with explosive force.

By 1980 the centralised and hierarchical organisation of the Swedish labour market was exposed to severe strains from two directions: the growth of increasingly fragmented identities constructed around the company in the private sector and the restructuring of the labour force (and the union membership) leading to a long-term growth of low-paid (female) labour in the public-services sector. In the 1980s these strains were to create severe problems of legitimacy for the established wage formation procedure (see below).

The gradual replacement of class-based nation-wide identities by loyalties to workmates at the company level, did not take place to a greater extent than in Germany; if anything, the opposite was true. However, in Germany the point of departure of this process was a less centralised and less hierarchical organisation of society. The works council order (*Betriebsräte*) had always been a powerful counterweight to strategies of centralisation in the union movement. Another institutional factor working in the same direction was the federal structure of the republic and the role of the *Land* in politics and of the *Bezirk* in the union organisation. The wage formation process in West Germany had a much more regional focus than in Sweden. Therefore, the wage-formation process was not exposed to problems of legitimacy as it was in Sweden. Neither did the public sector expand as fast as in Sweden. Still another factor which differentiated the prerequisites of union strategies in Sweden and West Germany was disposition of the German government to accept higher unemployment levels.

Operating within Sweden's full-employment culture, the economic, ideological, and political processes outlined above culminated in a major economic crisis in the late 1970s/early 1980s the main components of which were high inflation and a huge budget deficit. But, despite these strains, the goal of full employment was not sacrificed, and an active labour-market policy continued to be a major plank in the government's approach. A shift in this policy from a concentration on mobility to an emphasis on job protection occurred. In the early 1980s both the budget and the balance of payments were in deficit. As a result, fiscal policy became much more restrictive and the growth in public spending was cut back. In official documents laying out labour market policy the emphasis shifted from job protection to labour-market adjustment and labour mobility in order to facilitate growth in the private sector. Generally, the emphasis in policy discussion changed from demand to supply, although there was a considerable time-lag between early political discussions of policy and its implementation.<sup>27</sup>

This shift in emphasis was not only a response to budget deficits, but also resulted from changing political attitudes as the restructuring of the economy increased social rivalry and as the share of wages in GNP declined. Subsidies to ailing industries were also increasingly called into question. The new policy seemed to receive as much public support as had the massive state interventions at the mid-1970s and raises questions about the long-term durability of the *folkhemmet* ideology. This is particularly so because the policy changes, influenced by the new mood, were implemented by the Social Democratic government after its return to power in 1982 and represented a qualitatively new approach rather than a reversion to strategies adopted prior to its defeat in 1976.

By 1990 when unemployment was down to 1.5 percent, the great political problem concerning the labour market was soaring inflation produced by wage

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27. Bo Stråth and Frank Wilkinson, 'The Swedish Wage Policy with Solidarity and Active Labour Market Policy'. Manuscript 1990. Cf EFA (Delegation for Labour Market Policy Research at the Swedish Ministry of Labour), Labour Market Policy under Reconsideration. Stockholm 1984 pp 33-39.



pressures on an overheated labour market, with a shortage of labour in several sectors. This problem, in turn, must be seen in the context of the economic and labour-market policies implemented since 1982.

In the programme approved by the Social Democratic party congress in 1981 the need for economic restraint in the public sector was emphasised. Public and private consumption was to be reduced to free resources for industrial investment. When the Social Democratic party returned to power in 1982 one of the first steps of the new government was a 16 percent devaluation of the Swedish krona. Between 1981 and 1983, profits increased from 22 percent to 34 percent of value added. Thus, the interests of industry were promoted much more than the party congress had envisaged in 1981.

The core of Social-Democratic economic policy in the 1980s - the 'policy of the third way' - involved persuading the unions to keep wage rises non-inflationary, while allowing a massive expansion to take place in the economy. As a means to the implementation of this policy, capital movements were liberalised. The effect was quick fortune-building and high profits. The deregulation of financial markets was followed by a stock market boom. Another consequence of the 'policy of the third way' was that as a proportion of GDP, public spending decreased from 68 percent in 1982 to 61 percent in 1989.

The new policy of promoting the interests of private industry was forced through by the upper echelons of the Social-Democratic leadership. The decisions of both the party congress in 1981 and of the LO congress in the same year placed more emphasis on macro-economic stabilisation than had similar decisions three decades before. Whereas, in the 1950s, the union model provided a formula which combined the government's interest in stabilisation, the unions' interest in wage increases and solidarity, and the employers' interest in production and productivity increases, the Social Democratic government policies in the 1980s gave much less weight to the unions interests in wage increases and solidarity. In terms of political power, Social Democrats since 1982 have given greater priority to Parliament. In

constructing a coalition necessary to win the election other interests than those of LO had to be taken into account. This was probably one of the lessons learnt from the defeat in 1976 and, moreover, the basis for this new configuration of power within the ranks of the Social Democrats had been laid by the policies (outlined above) adopted in the 1960s to attract the middle classes. Consequently, in the 1980s LO has been far more on the defensive than in the 1950s and union members have had to pay for the improved economic performance, low unemployment, sharply reduced budget deficits, and increased profits by reduced real wages.<sup>28</sup>

The problems increasingly faced in the 1970s - i.e. the limitations of an expansive fiscal policy and the difficulties in reducing unemployment without inflationary effects - had been forecasted by LO economists. Gösta Rehn and Rudolf Meidner, the architects of the wage solidarity model, were effectively supply side economists long before the phrase was coined. Their model not only emphasised selectivity over general economic stimulation but also included policies directed towards the supply side of the economy.

However, their scepticism about general macro-economic policies was not based on the neoliberal models which were elaborated in the 1970s, and which rested on the assumption that full employment was generated by the market so that government intervention was destabilising. The LO economists worked within a Keynesian framework but recognised the supply side barriers to economic growth. They realised that capital would not necessarily respond to demand side opportunities by adopting best-practice techniques if they could escape supply side disciplines by paying low wages. They also accepted that the labour market did not operate 'perfectly' in transferring workers from declining to expanding sectors. Therefore, they reasoned, the compulsion on firms to use labour efficiently required

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28. Cf Klas Åmark, 'Sammanhållning och intressepolitik. Socialdemokratin och fackföreningsrörelsen i samarbete och på skilda vägar' in Misgeld, Molin, Åmark (eds) op cit.



complementary labour-market policies in order to ensure that workers so displaced were rapidly, and profitably, re-employed.

'Wage policy with solidarity' would certainly increase costs during a period of transition. However, in the long term it would reduce supply disturbances in the form of labour shortages - something which would put cost pressures on prices. Retraining courses and removal allowances were aimed at an expansionary policy without inflationary pressure. At the same time, retraining, supplemented later by adult-secondary and post-secondary school education, and labour market intervention for special groups, (such as redundant young people and disabled people), would speed up the accumulation of human capital.

In this respect the accumulation of groups with low wages in the public sector meant an important change in the prerequisites of the model. For the 1982 devaluation of the krona to work properly, the non-tradable goods sector should have released labour into the newly competitive export sector. Instead, the public sector continued to be a main source of demand. With no spare labour, wage pressures soon emerged. However, these pressures were of a different kind than in the old union model. The link between the wage-formation process and the productivity question was cut in the 1980s. According to conventional wisdom, small wage differentials inhibit labour mobility. What the model had actually demonstrated in the 1950s and 1960s was that narrow wage differentials would speed up the movement from low- to high-productivity sectors by weeding out unprofitable firms and favouring high-productivity ones. The emerging and long-term problem intrinsic to this successful process became visible in the 1980s when wage solidarity among key groups of skilled or professional labour was accused of aiming at general wage equalisation, compressing wage differentials not just within a job category but between different occupations and skills. The differential between the average wages of skilled and unskilled blue-collar workers narrowed from 54 percent in the 1960s to 25 percent in the 1980s. The emerging pattern of wage relationships encountered growing problems of legitimacy. Such problems were enhanced by

demands for more equal wages by the numerous well-educated but low-paid employees in the public service sector. A split arose within the institutional framework of bargaining where LO lost influence and as a result of increasing rivalry between public- and private-sector unions LO's member unions adopted the position that everyone must be paid above the average. The struggle over wages changed its focus from the relationship between labour and capital to a focus on the relational struggle involving demands for compensation for what other groups had acquired. The white-collar and public sector unions gate-crashed the centralised bipartite LO-SAF bargaining structure of the 1950s and 1960s. The refusal of the employees in the public sector to take notice of the model's key precondition, namely, the maintenance of industrial peace constitutes a serious challenge. This refusal has contributed to the partial dissolution of the model.

This development is less an economic problem than a cultural one where the old production of meaning has lost both legitimacy and the capacity to convince and where no new concepts and interpretative frameworks having a corresponding degree of attraction have taken root. This problem of the production of convincing interpretative frameworks must in turn be related to the tremendous restructuring of the labour force since the 1960s.

Gösta Rehn and Rudolf Meidner did not hesitate to put the model into action by means of political decision-making processes, by governmental administration, and through the centralised organisations of labour and capital. The institutional framework for the implementation of such centralised policies has been weakened by economic restructuring. Centralised control in the employers' association and unions was loosened by an increasing tendency towards close cooperation at the company level and sectoral wage negotiations. The employers' new 'colleague' strategy - involving the attempt to tie core groups of employees closer to the enterprise by means of individual benefits and shares in the profits of the



enterprise - meant a break with the strategy pursued since the mutual labour-market agreement of 1906.<sup>29</sup>

Difficulties with 'wage policy with solidarity' have in their turn considerably increased tensions within LO. However, they have not been powerful enough to prevent the successful emergence of an institutional framework for wage-determination. A main goal of the employers' association SAF, is to establish a decentralised bargaining structure. A long-term goal of SAF in 1990 is to decentralise pay-bargaining to company level where wages can fully reflect profits and local demand and supply. It is little consolation for LO that small- and medium-sized employers are less keen on decentralised bargaining, because they do not seem to be powerful enough within SAF. They, like the LO, argue that when unemployment is as low as 1.5 percent, completely free competition for labour would lead to leap-frogging demands.

### Perspectives

The perspective I have adopted in this paper has implied using the concept of strategy in a wide sense; i.e. both deliberate, intended, 'rationally'-calculated and emergent strategies have been considered. A point of departure has been the awareness that historical analysis is an *ex post facto* reconstruction of specific processes which we know about afterwards.

In an analysis of this kind it is important to pay attention to the historical context in which actors and formations in the labour market form their goals and orient their actions. These are mutually contingent on power relationships and on the goals and actions of other actors. Strategy formation is not only a matter of the internal organisation and its bureaucracy but is highly dependent on the environment.

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29. Ibid.

In this perspective of historical complexity strategies that are ex post facto successful can be given their specific logics analytically through reconstruction - which is not to say that there were no other alternatives. Neither does this perspective mean that those who suggested or put to the test successful strategies necessarily realised the full potential of such strategies. Quite often, ex post facto successful strategies are proposed as short-term responses and reactions ignoring their long-term effects.

In the Swedish case the precise direction in which such try-outs were linked by the collective decisions and actions of employers, unions, and politicians seems to demonstrate that somehow the capacity to engineer convergence between the interests of key actors was greater than in Germany. This capacity must be referred to the way in which interests are produced and identities constructed in the discursive struggles over the formulation of problems in the organisation of society.

The 1890s and 1930s were crucial turning points at which the trajectories of development of the labour market in Sweden and Germany were diverted onto different tracks.

Once interest production brings the interests of different actors and formations together in a single formula for change, it is likely that a successful strategy will emerge. By means of hindsight, the logic and rationality of such strategies are explored, and institutions with their own inertia are established to implement them. Institutional inertia means that there is a tendency of self-fulfilment of the successful strategy.

However, the Swedish case does not only reveal a successful bringing together of separate interests and their institutionalisation, but also the fact that new problems may require solutions which the strategy and its institutions fail to supply. At such historical turning points, interest production, identity construction and interpretative frameworks must be tackled from new perspectives. At the same time, the question of conflict or compromise becomes an open question.





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